

EAST CENTRAL IOWA
COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

YEARS ENDED JUNE 30, 2013, 2012 and 2011

- Prepared By -

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EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>County</u>	<u>Term Expires</u>
Bill Daily	Member	Benton	12-31-14
Kathleen VanSteenhuyse	Member	Benton	12-31-15
Don Frese	Member	Benton	12-31-13
Kevin Heitshusen	Member	Iowa	12-31-15
Vicki Pope	Member	Iowa	12-31-15
Sandra Cronbaugh	Member	Iowa	12-31-13
Rick Ogren	Member	Johnson	12-31-13
Cami Rasmussen	Member	Johnson	12-31-13
Ed Yankowski	Member	Johnson	12-31-13
Pat Harney	Member	Johnson	12-31-13
Dusty Embree	Member	Jones	12-31-15
Wayne Manternach	Member	Jones	12-31-14
Alan Johnson	Member	Jones	12-31-15
Don Gray	Member	Linn	12-31-14
Linda Langston	Chairperson	Linn	12-31-14
Lu Barron	Member	Linn	12-31-15
Darrin Gage	Secretary/Treasurer	Linn	12-31-13
Ben Rogers	Member	Linn	12-31-13
Bob Yoder	Member	Washington	12-31-14
Brent Hinson	Member	Washington	12-31-13
Ed Raber	Vice-Chairperson	Washington	12-31-15



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Central Iowa Council of Governments
Cedar Rapids, IA 52401

Report on the Financial Statements

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the East Central Iowa Council of Governments (ECICOG), as of and for the years ended June 30, 2013, 2012 and 2011 and the related Notes to the Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ECICOG as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about methods of preparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ECICOG's basic financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 5, 2013 on my consideration of ECICOG's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering ECICOG's internal control over financial reporting and compliance.



Charles City, Iowa
November 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Central Iowa Council of Governments (ECICOG) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. I encourage readers to consider this information in conjunction with ECICOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ECICOG's operating revenues decreased 51%, or \$5,388,637, from fiscal 2012 to fiscal 2013. Federal funds decreased \$5,275,735 in 2013 due to reduced CDBG funds.
- ECICOG's operating expenses decreased 54%, or \$5,580,893 in fiscal 2013 from fiscal 2012. The decrease in expenses is also due to reduced CDBG funds during the fiscal year.
- ECICOG's net position increased 14%, or \$503,575, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The East Central Iowa Council of Governments is a 28E Organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to ECICOG's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of ECICOG's financial activities.

The Statements of Net Position present information on ECICOG's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of ECICOG is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses and whether ECICOG's financial position has improved or deteriorated as a result of the year's activities. ECICOG's financial position tends to be somewhat dynamic as the Agency's programs can change from year to year, e.g., the number of vehicles purchased or the number of grants administered.

The Statements of Cash Flows present the changes in ECICOG's cash and cash equivalents during the year. This information can assist the use of the report in determining how ECICOG financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of ECICOG's financial position. ECICOG's net position for fiscal 2013 totaled approximately \$4,076,896. This compares to approximately \$3,573,321 at the end of fiscal 2012. A summary of ECICOG's net position is presented below.

Net Position		June 30,	
		2013	2012
Current assets		\$ 1,600,061	\$ 2,335,986
Non-current assets		1,560,417	1,190,424
Capital assets at cost, less accumulated depreciation		976,949	1,160,821
Total assets		<u>\$ 4,137,427</u>	<u>\$ 4,687,231</u>
Current liabilities		<u>\$ 60,531</u>	<u>\$ 1,113,910</u>
Net position:			
Reserved		\$ 811,164	\$ 925,719
Unreserved		<u>3,265,732</u>	<u>2,647,602</u>
Total net position		<u>\$ 4,076,896</u>	<u>\$ 3,573,321</u>

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2013 and 2012 is presented below:

Changes in Net Position		Year Ended June 30,	
		2013	2012
Operating Revenues			
Grants		\$ 4,309,013	\$ 9,605,121
Program reimbursements and other local sources		937,607	1,030,136
Total operating revenues		<u>\$ 5,246,620</u>	<u>\$10,635,257</u>
Operating Expenses		<u>4,777,277</u>	<u>10,358,170</u>
Operating Income		<u>\$ 469,343</u>	<u>\$ 277,087</u>
Non-operating revenues (expenses):			
Interest income		\$ 64,780	\$ 56,301
Interest expense		(9,491)	(14,374)
Gain (loss) on sale of fixed assets		(21,057)	1,905
Net non-operating revenues (expenses)		<u>\$ 34,232</u>	<u>\$ 43,832</u>
Change in net position		\$ 503,575	\$ 320,919
Net position beginning of year		<u>3,573,321</u>	<u>3,252,402</u>
Net position end of year		<u>\$ 4,076,896</u>	<u>\$ 3,573,321</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in the net position at the end of the fiscal year.

- Net position for the year increased \$503,575. This increase was due to federal and state funds received.
- ECICOG's operating expenses (without depreciation) were \$4,315,420 and operating revenues were \$5,246,620. With depreciation, the total expenses were \$4,777,277 and operating revenues remained at \$5,246,620.
- The Agency had decreased revenue in 2013 due to fewer programs for businesses and individuals impacted by the floods of 2008. Federal jumpstart funds were approximately \$1,984,567 for the fiscal year. The jumpstart funds are projected to decrease from fiscal year 2013 to fiscal year 2014. Federal capital assistance was \$243,990 for 2013. In 2012 Federal Capital assistance was \$178,233.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2013, ECICOG had approximately \$976,949 invested in capital assets, net of accumulated depreciation of approximately \$3,304,777. Depreciation expense totaled \$461,857 for fiscal year 2013. More detailed information about ECICOG's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The East Central Iowa Council of Government's Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2014 budget and fees that will be charged for Agency activities. ECICOG general operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year.

CONTACTING ECICOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of ECICOG's finances and to show ECICOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Central Iowa Council of Governments, 700 16th Street NE, Cedar Rapids, Iowa 52402.

Basic Financial Statements

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF NET POSITION
JUNE 30, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$1,094,420	\$ 697,835	\$ 251,392
Prepaid expenses	14,457	14,679	7,986
Accounts receivable	90,568	1,309,760	1,217,467
Revolving loans receivable	400,616	313,712	333,905
Total current assets	<u>\$1,600,061</u>	<u>\$2,335,986</u>	<u>\$1,810,750</u>
Noncurrent assets:			
Prepaid software agreement	\$ 38,632	\$ -	\$ -
Revolving loans receivable	1,521,785	1,190,424	1,187,476
Total noncurrent assets	<u>\$1,560,417</u>	<u>\$1,190,424</u>	<u>\$1,187,476</u>
Fixed assets:			
Furniture and equipment	\$ 72,956	\$ 69,092	\$ 59,535
Vehicles - unrestricted	684,506	723,139	643,984
Vehicles - restricted	3,481,640	3,343,586	3,238,196
Leasehold improvements	42,624	42,624	42,624
Total	\$4,281,726	\$4,178,441	\$3,984,339
Less accumulated depreciation	<u>(3,304,777)</u>	<u>(3,017,620)</u>	<u>(2,619,265)</u>
Net fixed assets	<u>\$ 976,949</u>	<u>\$1,160,821</u>	<u>\$1,365,074</u>
Total assets	<u>\$4,137,427</u>	<u>\$4,687,231</u>	<u>\$4,363,300</u>
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ 2,938	\$1,093,759	\$ 586,492
Accrued benefits payable	20,093	20,151	26,556
Line of credit	37,500	-	497,850
Total current liabilities	<u>\$ 60,531</u>	<u>\$1,113,910</u>	<u>\$1,110,898</u>
NET POSITION:			
Reserved (Note 2)	\$ 811,164	\$ 925,719	\$1,149,431
Unreserved	<u>3,265,732</u>	<u>2,647,602</u>	<u>2,102,971</u>
Total net position	<u>\$4,076,896</u>	<u>\$3,573,321</u>	<u>\$3,252,402</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:			
Federal funds	\$ 3,834,810	\$ 9,110,545	\$ 7,694,254
State funds	474,203	494,576	457,722
Local funds	937,607	1,030,136	732,927
Total operating revenues	<u>\$ 5,246,620</u>	<u>\$10,635,257</u>	<u>\$ 8,884,903</u>
OPERATING EXPENSES:			
Salaries and fringe benefits	\$ 932,481	\$ 949,678	\$ 1,019,393
Payroll taxes	63,710	63,234	69,382
Travel	35,692	36,402	41,957
Travel - professional development	10,059	8,246	6,245
Utilities	8,974	7,866	8,195
Pass-thru	2,814,842	8,465,141	6,437,552
Contracted services	65,058	88,303	532,950
Office expense	3,943	4,842	7,473
Printing and copying	7,243	7,750	8,185
Advertising	2,164	1,933	2,233
Connection nation	1,212	-	-
Dues and subscriptions	12,854	11,628	9,119
Rent	45,000	45,000	45,000
Education and training	4,970	5,624	6,767
Insurance	19,407	16,447	15,453
Repairs and maintenance	-	215	391
Legal and accounting	14,011	14,167	14,834
Special legal	977	7,678	1,039
Depreciation	461,857	484,686	424,628
Freight and postage	2,933	3,129	4,629
Summer library reading	597	1,873	2,478
JC-FHLB	10,392	86,093	80,212
Tama county swap	9,687	16,775	5,592
ECI Housing Trust	-	-	870
OEI grant	-	31,460	-
Bad debt expense	249,214	-	-
Total operating expenses	<u>\$ 4,777,277</u>	<u>\$10,358,170</u>	<u>\$ 8,744,577</u>
Operating Income	<u>\$ 469,343</u>	<u>\$ 277,087</u>	<u>\$ 140,326</u>
Non-operating revenues (expenses):			
Interest income	\$ 64,780	\$ 56,301	\$ 53,404
Interest expense	(9,491)	(14,374)	(25,899)
Gain (loss) on sale of fixed assets	(21,057)	1,905	7,631
Net non-operating revenues (expenses)	<u>\$ 34,232</u>	<u>\$ 43,832</u>	<u>\$ 35,136</u>
Change in net position	\$ 503,575	\$ 320,919	\$ 175,462
Net position beginning of year	<u>3,573,321</u>	<u>3,252,402</u>	<u>3,076,940</u>
Net position end of year	<u>\$ 4,076,896</u>	<u>\$ 3,573,321</u>	<u>\$ 3,252,402</u>

See Notes to Financial Statements.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:			
Cash received from local sources	\$ 941,853	\$1,211,060	\$ 743,524
Cash received from state operating grants	464,140	499,945	455,684
Cash received from federal operating grants	4,815,829	8,840,959	7,398,648
Cash paid for salaries and benefits	(932,539)	(956,083)	(1,019,903)
Cash paid for other suppliers of goods and services	(4,272,444)	(8,624,839)	(6,719,106)
Net cash provided by operating activities	<u>\$1,016,839</u>	<u>\$ 971,042</u>	<u>\$ 858,847</u>
Cash flows from noncapital financing activities:			
Cash received from line of credit	\$1,534,016	\$1,815,200	\$2,236,590
Cash used to repay line of credit	<u>(1,496,516)</u>	<u>(2,313,050)</u>	<u>(2,828,785)</u>
Net cash used by noncapital financing activities	<u>\$ 37,500</u>	<u>\$ (497,850)</u>	<u>\$ (592,195)</u>
Cash flows from capital and related financing activities:			
Cash received from federal capital grants	\$ 243,990	\$ 178,233	\$ 233,746
Net acquisition of fixed assets	(301,181)	(280,433)	(259,282)
Cash received from asset sales	<u>2,138</u>	<u>1,905</u>	<u>7,631</u>
Net cash used by capital and related financing activities	<u>\$ (55,053)</u>	<u>\$ (100,295)</u>	<u>\$ (17,905)</u>
Cash flows from investing activities:			
Cash paid for revolving loan funds	\$ (968,333)	\$ (272,000)	\$ (602,000)
Cash received from revolving loan funds	300,853	289,245	221,524
Interest received	<u>64,780</u>	<u>56,301</u>	<u>53,404</u>
Net cash provided (used) by investing activities	<u>\$ (602,700)</u>	<u>\$ 73,546</u>	<u>\$ (327,072)</u>
Net increase (decrease) in cash	\$ 396,586	\$ 446,443	\$ (78,325)
Cash and cash equivalents beginning of year	<u>697,835</u>	<u>251,392</u>	<u>329,717</u>
Cash and cash equivalents end of year	<u>\$1,094,421</u>	<u>\$ 697,835</u>	<u>\$ 251,392</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 469,343	\$ 277,087	\$ 140,326
Adjustments for long-term non-cash items:			
Depreciation	461,857	484,686	424,628
Revenues and expenses not classified as operating	(4,264)	(192,607)	(259,201)
Change in assets and liabilities:			
(Increase) decrease in prepaid expenses	(38,410)	(6,693)	23,382
(Increase) decrease in accounts receivables	1,219,192	(92,293)	(53,301)
Increase (decrease) in accounts payable	(1,090,821)	507,267	583,523
Increase (decrease) in accrued benefits payable	<u>(58)</u>	<u>(6,405)</u>	<u>(510)</u>
Net cash provided by operating activities	<u>\$1,016,839</u>	<u>\$ 971,042</u>	<u>\$ 858,847</u>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ 9,491</u>	<u>\$ 14,374</u>	<u>\$ 25,899</u>

See Notes to Financial Statements.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013, 2012 and 2011

(1) Organization

The East Central Iowa Council of Governments (ECICOG) is an Inter-Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 10 which includes Benton, Iowa, Johnson, Jones, Linn and Washington counties. ECICOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). ECICOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. ECICOG also provides transportation services to the elderly, disabled and rural areas through East Central Iowa Transit. In performing its duties, ECICOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, ECICOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with ECICOG are such that exclusion would cause ECICOG's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of ECICOG to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on ECICOG. ECICOG has no component units which meet the Governmental Accounting Standards Board criteria.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounts of ECICOG are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

(b) Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013, 2012 and 2011

(2) Summary of Significant Accounting Policies - continued

ECICOG applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

ECICOG distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the ECICOG's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents - The cash balances are invested. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by ECICOG as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Furniture and Equipment	\$ 250
Vehicles	500
Leasehold Improvements	500

Capital assets of ECICOG are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Furniture and Equipment	7-10
Vehicles	5-7
Leasehold Improvements	10-15

Accrued Benefits Payable - Accrued benefits payable are paid time off and compensatory time and have been accrued as liabilities on the statement of net position. These current liabilities have been computed based on rates of pay in effect at June 30, 2013.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013, 2012 and 2011

(2) Summary of Significant Accounting Policies - continued

Reserved Net Position - Reserved net position represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

(3) Cash and Investments

ECICOG's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

ECICOG is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

ECICOG had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - ECICOG's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of ECICOG.

(4) Capital Assets

A summary of capital assets for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and equipment	\$ 69,092	\$ 3,864	\$ -	\$ 72,956
Vehicles	4,066,725	297,317	197,896	4,166,146
Leasehold improvements	42,624	-	-	42,624
Total capital assets	\$4,178,441	\$301,181	\$ 197,896	\$4,281,726

Less: accumulated depreciation for:

Furniture and equipment	\$ 56,628	\$ 7,969	\$ -	\$ 64,597
Vehicles	2,923,329	450,364	174,700	3,198,993
Leasehold improvements	37,663	3,524	-	41,187
Total accumulated depreciation	\$3,017,620	\$461,857	\$ 174,700	\$3,304,777
Total capital assets, net	\$1,160,821	(160,676)	\$ 23,196	\$ 976,949

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013, 2012 and 2011

(5) Pension and Retirement Benefits

ECICOG contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and ECICOG is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. ECICOG's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$65,551, \$62,321 and \$57,905, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 15 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$518 for single coverage and \$1,306 for family coverage. For the year ended June 30, 2013, the Agency contributed \$110,374 and plan members eligible for benefits contributed \$13,144 to the plan.

(7) Operating Lease

ECICOG leases its office space on an operating lease basis. The lease calls for lease payments as described below. In addition, ECICOG is responsible for any leasehold improvements. Total rental and lease expense for the year ended June 30, 2013 was \$45,000.

Future rental payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2014	<u>\$ 26,250</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013, 2012 and 2011

(8) Short-Term Notes Payable - Line of Credit

The Agency has an unsecured line of credit agreement with a bank which provides it may borrow up to \$500,000 at a variable rate of interest. The line of credit is used for the jumpstart program expenses.

Line of credit activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of year	Advances Received	Advances Repaid	Balance End of Year
Bank	<u>\$ -</u>	<u>\$1,534,016</u>	<u>\$1,496,516</u>	<u>\$ 37,500</u>

(9) Risk Management

ECICOG is exposed to various risks of loss to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. ECICOG assumes the liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2013

	STA Special	STA Operating Assistance	Section 4 Capital #04-0117- 100-12	Section 18 Operating #18-0030- 100-13	Capital #85-X032- 100-12
Operating Expenses:					
Contractual Services	\$ 9,630	\$ 407,183	\$ -	\$1,163,623	\$ -
Capital Outlay	-	-	228,232	-	71,448
Prior Year	-	-	-	-	-
Project Cost	\$ 9,630	\$ 407,183	\$ 228,232	\$1,163,623	\$ 71,448
Grant Participation in Project Cost	100%	100%	83%	50%	80%
Percentage Participation	<u>\$ 9,630</u>	<u>\$ 407,183</u>	<u>\$ 186,832</u>	<u>\$ 581,811</u>	<u>\$ 57,158</u>
Contract Amount	<u>\$ 9,630</u>	<u>\$ 407,183</u>	<u>\$ 216,630</u>	<u>\$ 517,399</u>	<u>\$ 67,200</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 9,630	\$ 407,183	\$ 186,832	\$ 517,399	\$ 57,158
Less: Grant Payments received in current year	(9,630)	(407,183)	(186,832)	(517,399)	(57,158)
Less: Grant Payments received in prior year	-	-	-	-	-
Grant Receivable/(Payable) at June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 1

12RPA- R10	13RPA- R10	EDA 05-83- 05172	EDA 05-79- 04694	CDBG 08-DRH- 005	CDBG 08-DRH- 205	CDBG 08-DRB- 210	Total
\$ -	\$154,429	\$124,000	\$ 968,333	\$1,266,121	\$ 612,779	\$ 105,667	\$ 4,811,765
-	-	-	-	-	-	-	299,680
145,640	-	-	2,103,912	4,991,722	5,935,327	8,763,320	21,939,921
\$ 145,640	\$154,429	\$124,000	\$3,072,245	\$6,257,843	\$6,548,106	\$ 8,868,987	\$27,051,366
80%	80%	50%	94%	100%	100%	100%	
<u>\$ 116,512</u>	<u>\$123,542</u>	<u>\$ 62,000</u>	<u>\$2,662,812</u>	<u>\$6,257,843</u>	<u>\$6,548,106</u>	<u>\$ 8,868,987</u>	<u>\$25,882,416</u>
<u>\$ 147,009</u>	<u>\$140,009</u>	<u>\$ 62,000</u>	<u>\$3,000,000</u>	<u>\$6,730,775</u>	<u>\$7,035,071</u>	<u>\$11,000,000</u>	<u>\$29,332,906</u>
\$ 116,512	\$123,542	\$ 62,000	\$2,662,812	\$6,257,843	\$6,548,106	\$ 8,868,987	\$25,818,004
(24,784)	(97,334)	(62,000)	(954,687)	(1,271,971)	(666,716)	(1,220,938)	(5,476,632)
(91,728)	-	-	(1,708,125)	(4,985,872)	(5,881,390)	(7,648,049)	(20,315,164)
<u>\$ -</u>	<u>\$ 26,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,208</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Direct:			
Department of Commerce:			
Economic Development Administration:	11.307	05-83-05172	\$ 62,000
Economic Adjustment Assistance	11.307	05-79-04694	907,812
Total Direct Awards			<u>\$ 969,812</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Linn County:			
Community Development Block Grant Program	14.228	08-DRH-005	\$1,266,121
	14.228	08-DRH-205	612,779
	14.228	08-DRB-210	105,667
			<u>\$1,984,567</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	13-RPA10	\$ 92,924
 Capital Investment Assistance Project	 20.500	 04-0117-100-12	 \$ 186,832
Formula Grants for other than Urbanized Areas	20.509	18-0030-100-13	\$ 517,399
	20.509	13-RPA10	30,618
	20.509	85-X032-100-12	57,158
			<u>\$ 605,175</u>
 Total Indirect Awards			 <u>\$2,869,498</u>
 Total			 <u>\$3,839,310</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of ECICOG and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
East Central Iowa Council of Governments:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of ECICOG, as of and for the year ended June 30, 2013, 2012 and 2011 and the related notes to financial statements, which collectively comprise the Agency's basic financial statements, and have issued my report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered ECICOG's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ECICOG's internal control. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of ECICOG's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-13 and II-B-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no deficiencies described in Part II of the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ECICOG's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

ECICOG's Responses to Findings

ECICOG's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. ECICOG's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of ECICOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script, appearing to read "Larry Pump".

Charles City, Iowa
November 5, 2013



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
OMB CIRCULAR A-133

To the Board of Directors
East Central Iowa Council of Governments:

Report on Compliance for Each Major Federal Program

I have audited East Central Iowa Council of Government's (ECICOG's) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on ECICOG's major federal programs for the year ended June 30, 2013. ECICOG's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for ECICOG's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ECICOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal programs. However, my audit does not provide a legal determination of ECICOG's compliance.

Opinion on Each Major Federal Program

In my opinion, ECICOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of ECICOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered ECICOG's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing

procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control over compliance I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-13 to be a material weakness.

ECICOG's response to the internal control over compliance finding identified in my audit is represented in the accompanying Schedule of Findings. ECICOG's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is fluid and cursive, with the first name "Larry" and the last name "Pump" clearly distinguishable.

Charles City, Iowa
November 5, 2013

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 11.307 - Economic Adjustment Assistance, CFDA Number 14.228 - Community Development Block Grants and CFDA Number 20.509 - Non-Urban Assistance Project.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) ECICOG did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash revenues and expenses are all done by the same individual.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However ECICOG should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. ECICOG should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-13 Countersignature of Checks - The Board requires all checks to be signed by two authorized individuals. I noted a check written with only one authorized signature.

Recommendation - Checks should be made out and signed by one individual and then the supporting documentation should be made available with the check to the second individual for the countersignature.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements: - continued

Response - We will do this.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 11.307: Economic Adjustment Assistance

Federal Award Year: 2013

U.S. Department of Commerce

CFDA Number 14.228: Community Development Block Grants

Federal Award Year: 2013

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development and Linn County

CFDA Number 20.509: Non-Urban Assistance Project

Federal Award Year: 2013

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

III-A-13 The Agency did not properly segregate custody, recordkeeping and reconciling functions for revenues and expenses, including those related to Federal Programs. See audit finding II-A-13.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Questionable Expenses - No expenses I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-B-13 Travel Expense - No expenses of ECICOG money for travel expenses of spouses of ECICOG officials or employees were noted.

IV-C-13 Business Transactions - No business transactions between ECICOG and ECICOG officials or employees were noted.

IV-D-13 Bond Coverage - Surety bond coverage of ECICOG officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-E-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and ECICOG's investment policy were noted.

IV-F-13 Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.